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No. 81-971

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1991

TWO PESOS, INC.,
Petitioner,
v.

TACO CABANA, INC.,
Respondent.

On Writ of Certiorari to the
United States Court of Appeals
for the Fifth Circuit

BRIEF FOR RESPONDENT

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QUESTION PRESENTED

Whether Taco Cabana's trade dress was properly held protected under the pre-1989 version of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982), based on the jury finding of its inherent distinctiveness.

PARTIES TO THE PROCEEDING

Pursuant to Rule 29.1 of the Rules of this Court, respondent Taco Cabana, Inc., a Delaware corporation, states that it has no parent corporation and no subsidiary corporations except wholly owned subsidiaries. (The original respondents, Taco Cabana International, Inc., and Taco Cabana, Inc., both Texas corporations, no longer exist. The former was merged into the latter, which was then merged into the present Taco Cabana, Inc., a Delaware corporation, which is therefore the legal successor to both Texas corporations.) Although respondent has no parent company, a substantial (though not a majority) ownership interest is held, in various forms of stock, by Prudential Venture Partners II, a limited partnership whose general partner is Prudential Equity Investors, Inc.

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BRIEF FOR RESPONDENT

STATEMENT

Respondent Taco Cabana operates a chain of upscale fast-food Mexican restaurants in Texas. Petitioner, in subsequently starting a competing restaurant chain (Two Pesos), deliberately copied the carefully determined “look” of Taco Cabana’s restaurants, including their floor plan, architecture, and exterior and interior design. In a suit alleging, *inter alia*, a violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982), the jury imposed liability on Two Pesos based on its findings, among others, that Taco Cabana’s trade dress was inherently distinctive and that Two Pesos’s copying of the trade dress created a likelihood of consumer confusion with Taco Cabana. The court of appeals affirmed, con-

cluding in particular that the jury finding of inherent distinctiveness was based on proper instructions, was amply supported by the evidence, and was legally sufficient to establish a Section 43(a) violation regardless of whether Taco Cabana's trade dress had acquired "secondary meaning" in the Texas market.

1. *Background.* Taco Cabana, founded by brothers Felix and Michael Stehling, opened its first restaurant in San Antonio in 1978. Following the normal pattern of development, it gradually expanded, opening five more restaurants in San Antonio by 1985. The restaurants had a common menu offering high-quality Mexican food in a setting that mixed elements of a fast-food and sit-down operation. 1 J.A. 11, 137.

To help define its identity to the public, Taco Cabana adopted a detailed trade dress to be used, with slight variations, by all of its restaurants. This began with the shape of the buildings themselves: two "boxes," one (the main part of the restaurant) taller than the other (the enclosed patio part of the restaurant), creating a "step-down" appearance. Whereas the main part of the restaurant has no exterior windows, the patio part of the restaurant can be opened or closed to the outside by overhead, glass garage doors on three sides. A drive-through overhang protrudes from one side of the structure. The entire structure is generally painted pink, with a top border of painted and matching neon multi-color stripes accentuating the two-box structure. The patio door openings are shaded by bright awnings that repeat the building's color scheme. The tables outside the enclosable patio are themselves shaded by large umbrellas that have the same color scheme. Large potted plants surround the patio. See 2 J.A. 7-11 (PX 3, photographs of replica of Taco Cabana restaurant), 17-21 (PX 28A-36B, photographs of Taco Cabana restaurants).

In the interior of a Taco Cabana restaurant, customers enter to face a bent counter, generally wood panelled below

the countertop, and set (like the entrance) at an oblique angle to the building walls. Customers place their orders from a large menu board behind the counter and proceed around the turn in the counter, past the cash register, to pick up their food. Structurally, the counter separates a visible, "open" kitchen from the interior dining area; and a wall, consisting mostly of glass, then separates the interior dining area from the enclosable patio, with its garage doors leading to the outside. The seating in both dining areas consists of a carefully arranged assortment of small square tables with seats, both fixed to the floor, and picnic tables with benches. The walls are festively decorated with bright colors, paintings, murals, and Mexican artifacts. See 2 J.A. 10-11 (PX 3, photographs of Taco Cabana replica), 22-25 (PX 37-43, photographs of Taco Cabana restaurants), 38 (PX 447, floor plan of Taco Cabana).

In 1984, two experienced restaurateurs, Marno McDermott (founder of the Chi-Chi's restaurant chain and former chief executive officer of the Fuddrucker's restaurant chain) and Jim Blacketer (formerly with the Chi-Chi's and Steak & Ale restaurant chains), noticed Taco Cabana's success. By early 1985, without authorization, they acquired a set of construction plans and photographs of Taco Cabana. In April 1985, they furnished those plans and photographs to their two architects and hired them to design a competing restaurant "based primarily on an existing prototype originated in San Antonio." 1 J.A. 166 (quoting PX 138).¹ The same month, Jim

¹ Plaintiffs' Exhibit 138 is a letter dated April 17, 1985, from architect Scott Ziegler (signed on his behalf by his partner Jim McDaniell) to Jim Blacketer, which is countersigned as "accepted" by Blacketer and which confirms the assignment of the architects. As to the furnishing of Taco Cabana photographs and plans to the architects, see 1 J.A. 162-65 (Ziegler, at 162: Blacketer "had come to our [Ziegler's and McDaniell's] office with some photographs and a plan of a restaurant [Taco Cabana] that he said he found very interesting") and 1 J.A. 176-80 (McDaniell: Blacketer showed

Blacketer told an owner of land in Houston, which Blacketer was interested in leasing, that he "was going to copy it [Taco Cabana] nut for nut and bolt for bolt." *Id.* at 182. In June 1985, Blacketer and one of his architects met with a prospective signmaker, gave him photographs of Taco Cabana's exterior, and "said they were copying the Taco Cabana out of San Antonio. They wanted a like location or so forth or a like building to Taco Cabana." *Id.* at 186. They explained that "[t]heir intentions were putting in five restaurants [in Houston] as fast as they could because Taco Cabana was not there at that point. They had to get a foothold in Houston before Taco Cabana came." *Id.* at 188.²

In December 1985, Two Pesos opened in Houston. The chain expanded rapidly in Houston and elsewhere, although it stayed out of San Antonio, Taco Cabana's original base. By August 1988, Two Pesos had opened 29 restaurants in Texas and other States. 1 J.A. 11, 79-82. Taco Cabana opened its first restaurant in Houston in February 1986; by the time of trial, Taco Cabana had 16 restaurants, in all of the major cities in Texas. *Id.* at 77-79.

the architects photographs at their initial meeting and, at some point, also showed them a set of Taco Cabana plans). *See also* 10/7 Tr. 147-50. (Transcript citations are given by the month and day (in 1988), followed by "Tr." and then the page numbers.)

² Two Pesos's concern about Taco Cabana's entering the Houston market, expressed prior to Two Pesos's opening of any restaurant, was a legitimate one: contrary to petitioner's suggestion (Pet. Br. 2-3), Taco Cabana did not plan to stay in San Antonio but suddenly change that plan upon visiting Two Pesos's first restaurant. In late 1984 or early 1985, Taco Cabana began considering expansion into Austin and Houston (9/28 Tr. 56-59); in mid-1985, Taco Cabana contacted Houston landowner Philip Kensinger about leasing a site in Houston (10/13 Tr. 66-67); and by early summer 1985, even Mr. McDermott had heard that Taco Cabana had leased land in Houston (10/24 Tr. 86-88). All of this occurred before Two Pesos opened any restaurant.

2. *District Court Proceedings.* a. *The Complaint.* In January 1987, after unsuccessfully seeking modifications from Two Pesos, Taco Cabana filed suit against Two Pesos in the federal district court in Houston. 1 J.A. 38. Taco Cabana's main claim was that Two Pesos had adopted a trade dress that was confusingly similar to Taco Cabana's, which was distinctive and valuable to Taco Cabana as an identifier of its quality service, thereby violating the bar in Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982), on using a "false designation of origin, or any false description and representation." 1 J.A. 42-45.³ Taco Cabana sought monetary, declaratory, and injunctive relief for Two Pesos's trade dress infringement. *Id.* at 46-47. Taco Cabana also claimed that Two Pesos was liable under Texas law for misappropriating Taco Cabana's trade secrets in its architectural plans, its kitchen equipment layout and design, and its overall restaurant operating procedures. *Id.* at 45-47.

b. *The Evidence.* The evidence at trial demonstrated the distinctiveness of Taco Cabana's trade dress and Two Pesos's willful copying of it, as summarized above, as well as the likelihood of consumer confusion about whether Two Pesos was affiliated with Taco Cabana. Two Pesos's trade dress copied virtually every feature of Taco Cabana's trade dress described above, including the basic step-down architecture of the buildings, with a windowless main building and lower-roofed patio; the bright background color and striped multi-color top border (painted and neon); the striped awnings and multi-colored umbrellas; the potted plants; the patio with garage doors; the condiment bar and interior table arrangements, with picnic tables and small square tables (and chairs fixed to the

³ This case arose, and has been decided, under Section 43(a) of the Lanham Act as it read prior to its being rewritten in 1988. *See* Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 132, 102 Stat. 3946 (effective November 16, 1989). The present version is set out, along with the pre-1989 version, in an appendix to this brief.

floor), in both the interior dining area and patio; the glass wall separating the interior dining area and patio; the angled counter and oblique entry; the placement and look of the menu board; the type of interior decorations. The main difference was that, while Taco Cabana's restaurants are generally pink, Two Pesos's restaurants are generally turquoise (though at least one is tan and one is white, *see, e.g.*, 2 J.A. 27 (PX 325A-B, 326A-B); 9/27 Tr. 81).⁴

The exterior similarities may be seen in the Two Pesos replica, 2 J.A. 12-16 (PX 342, photographs) which may be compared with the Taco Cabana replica, 2 J.A. 7-11 (PX 3, photographs). They may also be seen in the photographs of various Two Pesos restaurants, 2 J.A. 26-28 (PX 323A-327B), which may be compared with the Taco Cabana photographs, 2 J.A. 17-21 (PX 28A-36B). The basic Two Pesos floor plan, 2 J.A. 39 (PX 448), likewise reveals the similarity. *Compare* 2 J.A. 38 (PX 447, Taco Cabana floor plan). The interior similarities are shown not only by the replicas and floor plans but by the photographs of Two Pesos interiors, 2 J.A. 29-35a (PX 328-341), which may be compared with the Taco Cabana photographs, 2 J.A. 22-25 (PX 37-43).

Other evidence confirmed the unmistakable implications of the foregoing exhibits. First, a number of witnesses prominent in the restaurant business testified to the striking similarity and high likelihood of consumer confusion between the two restaurants' trade dresses.⁵ Second, a

⁴ Two Pesos's menu, too, closely resembles Taco Cabana's menu, thus reinforcing the likelihood of customers' confusion. *See* 9/27 Tr. 82-83; 10/3 Tr. 52.

⁵ *E.g.*, 1 J.A. 115-23 (Brinker); 183-84 (Kensinger: Two Pesos copied Taco Cabana "nut for nut and bolt for bolt"); 190-92 (Romano, at 192: "they both look the same. They're shaped the same. They look the same. When you're inside, they feel the same. They have the same product."); 202-03 (Williams: "my impression is one of confusion. I think from my experience in restaurants and restaurant designs, I feel that the consumer can't help from being

marketing expert introduced survey evidence that showed a substantial degree of actual consumer confusion between Two Pesos and Taco Cabana. 1 J.A. 169-74. Third, several Taco Cabana witnesses testified to numerous customer statements (often complaints about Two Pesos) reflecting their belief that Two Pesos was affiliated with Taco Cabana. *E.g., id.* at 149-61. Fourth, and perhaps most significantly, at Two Pesos's request, the jury was taken to see a Taco Cabana and a Two Pesos restaurant on the last day of trial. *See* 10/25 Tr. 50-51. The jury thus based its findings on its direct view of the trade dress of each restaurant chain. *See* 1 J.A. 220.⁶

With respect to Taco Cabana's claim of misappropriation of trade secrets, Taco Cabana introduced evidence showing that Two Pesos copied its architecture and kitchen design and, more broadly, evidence showing that Two Pesos copied the entire means of operating the Taco Cabana restaurants. For example, in addition to the photographs and floor plans noted above, Taco Cabana introduced exhibits showing the almost identical kitchen layouts of the restaurants. *Compare* 2 J.A. 36 (PX 445, Taco Cabana's kitchen) with 2 J.A. 37 (PX 446, Two Pesos's kitchen). Moreover, several witnesses testified that Two Pesos had gotten a substantial head-start in its business by copying Taco Cabana's entire mode of operation (often described as the Taco Cabana "concept"). *See, e.g.*, 1 J.A. 135-37, 143-44.

c. *The Jury Findings.* The jury instructions, and special verdict sheet (2 J.A. 40), took the jury through the

confused or automatically assume they have to be one in [sic] the same thing").

⁶ The evidence also showed that Taco Cabana's competitors other than Two Pesos used trade dresses plainly different from Taco Cabana's. *See, e.g.*, 1 J.A. 133-34 (Alfonso's), 145 (Sombrero Rosa), 147 (Pappa Taco's); 10/14 Tr. 170-71; 10/7 Tr. 93; PX 399-405 (photographs of other restaurants).

legal claims step by step. The court began by asking the jury to determine whether Taco Cabana had a trade dress, explaining that

"trade dress" is the total image of the business. Taco Cabana's trade dress, may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant.

1 J.A. 83-84. Two Pesos argued that Taco Cabana was really seeking protection for the "magic" of its restaurants, not its trade dress (10/25 Tr. 86 (closing argument)), and that Taco Cabana did not have a uniform trade dress (*id.* at 86-88). The jury found that Taco Cabana did have such a trade dress. 2 J.A. 40 (question 1).

The court next asked the jury: "Is Taco Cabana's trade dress, taken as a whole, non-functional?" 2 J.A. 40 (question 2). The court explained that the purpose of trade dress is "to identify the restaurant with the products it serves" and that "[t]he doctrine of functionality is basically an attempt to distinguish between design features of the restaurant which serve a useful purpose in the functioning of the restaurant and those features that are merely arbitrary. The law allows the copying of functional features in the public interest of enhancing competition." 1 J.A. 84-85. Directing the jury to focus its "consideration on the total image and not the functionality of individual elements" (*id.* at 86), the court said that the trade dress as a whole was to be found non-functional if it is "not significantly related to the utilitarian function of the restaurant, but is an arbitrary embellishment primarily adopted for the purpose of identification and individuality"; and it was to be found functional if "its purpose is to facilitate the operation of the restaurant," if it "is designed to have a useful function aimed at utility," or if "Taco Cabana's trade dress taken

as a whole must be used by others in order to compete in the Mexican fast-food restaurant business." *Id.* at 85. Two Pesos argued that Taco Cabana's trade dress was "necessary to be used in the Mexican fast-food business." 10/25 Tr. 89. The jury found that Taco Cabana's trade dress was non-functional. 2 J.A. 40 (question 2).

The court then asked: "Is Taco Cabana's trade dress inherently distinctive?" 2 J.A. 40 (question 3). The court explained:

Distinctiveness is a term used to indicate that a trade dress serves as a symbol of origin. If it is shown, by a preponderance of the evidence, that Taco Cabana's trade dress distinguishes its products and services from those of other restaurants and is not descriptive and not functional, then you should find that Taco Cabana's trade dress is inherently distinctive. If it is shown that Taco Cabana's trade dress does not distinguish its products and services from those of other restaurants, then you should find that Taco Cabana's trade dress is not inherently distinctive.

1 J.A. 86. Two Pesos argued that the Taco Cabana trade dress was not inherently distinctive because its elements are too ordinary: "those simple features, the box-like structure on the outside, the functional features on the inside, cannot be symbols of origin." 10/25 Tr. 90. The jury found that Taco Cabana's trade dress was inherently distinctive. 2 J.A. 40.

The court next asked: "Has Taco Cabana's trade dress acquired a secondary meaning in the Texas market?" 2 J.A. 40 (question 4).⁷ The court explained that "[t]he prime element in a finding of a secondary meaning is a

⁷ The court put this issue to the jury as an alternative basis of liability. "If you find that Taco Cabana has a trade dress, that the trade dress taken as a whole is non-functional, and that the trade dress is inherently distinctive or has acquired a secondary meaning in the Texas market, then Taco Cabana has proven its claim that it has a protectable trade dress." 1 J.A. 87 (emphasis added).

mental association in the mind of the customers in Texas between the products or services being offered and a particular source of that product or service" (1 J.A. 86-87); thus, the issue was whether "a significant number of the customers in Texas associated the trade dress with Taco Cabana" (*id.* at 87). Two Pesos, in its argument, stressed the state-wide nature of the necessary consumer recognition and argued against any such finding based on the fact that Two Pesos opened in several Texas cities before Taco Cabana did.⁹ The jury found that Taco Cabana's trade dress had not acquired secondary meaning in the Texas market. 2 J.A. 40.

Having defined the character of Taco Cabana's interest in its trade dress, the court and jury turned to the "central inquiry in a trade dress infringement action": "whether the Defendant is passing off his goods or services as those of the Plaintiff by virtue of substantial similarity between the two, leading to confusion on the part of potential customers." 1 J.A. 88. The court instructed the jury to consider a number of factors in answering this question—*e.g.*, the similarity of the trade dresses, the two restaurants' competition for the same customers, instances of actual customer confusion, and Two Pesos's intent in adopting Taco Cabana's trade dress. *Id.* at 88-89. Two Pesos argued that "on this issue, the similarities, the best evidence is really what you [the jury] saw today at the restaurants." 10/25 Tr. 92. The jury found that there was a "likelihood that customers might associate or confuse a Taco Cabana restaurant with a Two Pesos restaurant." 2 J.A. 40 (question 5). The jury then found that Taco Cabana had suffered actual damages, in the form of lost business, and

⁹ 10/25 Tr. 91 ("Two Pesos was first in every market where Taco Cabana and Two Pesos compete. Two Pesos was first in Houston, first in Dallas, and first in El Paso. It's hard to see how Taco Cabana could have acquired secondary meaning throughout the entire state of Texas when they operated only in San Antonio for a number of years up until approximately 1985.").

awarded a total of \$934,300 on this claim. 2 J.A. 40 (questions 7 & 15).⁹

The jury also found for Taco Cabana on part of its state-law trade-secret claim. The jury found that Taco Cabana had a protected trade secret in its architectural plan and in its kitchen equipment layout and design, but that its overall operating procedures were not a trade secret. The jury found that Two Pesos had misappropriated and used the protected trade secrets, causing \$150,000 in damages. 2 J.A. 40 (questions 8-14).¹⁰

d. *The District Court's Judgment.* After the verdict, the court held a hearing to determine the final relief. See 1 J.A. 208-21. The court found that Two Pesos had deliberately copied Taco Cabana's trade dress (*id.* at 209, 217), explaining: "The similarity [of Taco Cabana and Two Pesos] is overwhelming in every aspect, every single aspect of the restaurant. . . . And the conclusion is obvious that Taco Cabana got there first and Two Pesos copied them." *Id.* at 220. Based on its finding "that Two

⁹ The jury rejected Two Pesos's contention that Taco Cabana had lost its protectable trade dress rights when the Stehling brothers divided the Taco Cabana restaurants, with Michael Stehling taking over four of the restaurants and renaming them TaCasita, while keeping the same trade dress. Two Pesos argued that Taco Cabana had lost its rights by failing to maintain supervision and control over the services identified by the trade dress. 10/25 Tr. 97-99. The jury rejected the argument, finding that, partly through a formal licensing agreement (1 J.A. 227-29), Taco Cabana did maintain "adequate supervision and control over TaCasita to make sure the quality of its goods or services are not inferior to those of Taco Cabana." 2 J.A. 40 (question 6); see 1 J.A. 90 (jury instruction). The court of appeals subsequently affirmed this finding. 1 J.A. 20-23.

¹⁰ With respect to damages, we note that petitioner has relied on a document that appears at 2 J.A. 41—which a juror handed to trial counsel after the verdict and which was appended to at least one post-trial motion in the district court—as purportedly reflecting the jury's calculation of damages. But the document should be ignored, not only because it is hardly self-explanatory, but because it is not part of the trial record and would be inadmissible under Fed. R.

Pesos intentionally and deliberately infringed Taco Cabana's trade dress" (*id.* at 105), the court doubled the jury's award of trade dress damages and awarded attorney's fees. *Id.* at 105, 108. The court also entered an injunction aimed at undoing and preventing customer confusion. *Id.* at 106-08.

3. *The Court of Appeals Decision.* The court of appeals affirmed. 1 J.A. 1-37. The court first found that the jury had properly protected a genuine, indeed a distinctive, trade dress, not a broad "Mexican theme for a Mexican restaurant." *Id.* at 14. The court agreed with Two Pesos that "Taco Cabana cannot preclude Two Pesos or anyone from entering the upscale Mexican fast-food market," but it held that no such preclusion occurred in this case: "the jury was not misled into protecting such an abstract level of Taco Cabana's trade dress." *Ibid.* The court explained that any "competitor can use elements of Taco Cabana's trade dress" and that Two Pesos was free to "enter the upscale Mexican fast-food market." *Id.* at 14-15 (footnote omitted). But Taco Cabana has a "distinctive combination of layout and design features," and "Two Pesos' imitation reflects not merely components of Taco Cabana's trade dress, but its distinctive integration of components." *Id.* at 14-15. The jury in this case, instructed that trade dress is the "total image of the business" (*id.* at 13), was "properly cautioned" to focus precisely on "the overall combination of elements" (*id.* at 15). Thus, what was found protected was a valid, distinctive trade dress—a detailed combination of elements that, taken as a whole, made a distinctive visual impression not needed by competitors—and not a general Mexican decor or the general "concept" of an "upscale Mexican fast-food" restaurant. *Id.* at 15.¹¹

Evid. 606(b) as a declaration by (some) jurors about their deliberations.

¹¹ The court pointed out that Two Pesos's own franchise agreement "assumes the protectability of essentially that which it here asserts cannot be protected." 1 J.A. 15 n.5. That agreement defines

The court of appeals likewise upheld the finding that Taco Cabana's trade dress is inherently distinctive. 1 J.A. 18-20. The court reiterated the established law in the Fifth Circuit that an inherently distinctive trade dress is protected under Section 43(a), despite the lack of secondary meaning. *Id.* at 18 n.7. The court then concluded that the jury was properly instructed that if the trade dress is distinctive (as it is in this case), then it is inherently distinctive as long as it is "neither descriptive nor functional." *Id.* at 19. And just as Taco Cabana's trade dress was properly found non-functional despite containing functional elements,¹² it was likewise properly found non-descriptive despite "embodying certain descriptive elements" (*id.* at 20):

Again, competitors may use individual elements in Taco Cabana's trade dress, but the law protects the distinctive totality. The jury visited both Taco Cabana and Two Pesos, and heard ample evidence of the distinctiveness of Taco Cabana's total trade dress, including the impressions of individuals responsible for the ultimate look of Two Pesos, who were sufficiently impressed with the distinctiveness of Taco Cabana's trade dress to replicate it. Given its rather brazen appropriation of Taco Cabana's distinctive combination, Two Pesos cannot escape accountability

"trade dress" as "'certain distinctive and identifying restaurant layout and design features, including distinctive building design, decor, accessories and fixtures and other identifying trade dress in the interior and exterior of its Restaurants.'" *Ibid.* (quoting PX 266 at 6).

¹² Explaining that the non-functionality requirement is designed to ensure "a latitude of competitive alternatives" for the marketplace, the court of appeals concluded that "Taco Cabana's particular integration of elements leaves a multitude of alternatives to the upscale Mexican fast-food industry that would not prove confusingly similar to Taco Cabana's trade dress." 1 J.A. 16, 17. "The jury heard substantial evidence of alternative combinations that could be used to compete effectively, and the record contains ample evidence that Taco Cabana's trade dress is, taken as a whole, non-functional." *Id.* at 17-18.

for unfair competition simply by pointing to particular elements it might have fairly employed for its own trade dress.

In affirming the verdict, the court of appeals also upheld the jury finding of likelihood of consumer confusion about Two Pesos's affiliation with Taco Cabana: it approved the jury instruction and pointed to the ample evidence of such likely confusion, including survey evidence, the intrinsic similarity, and Two Pesos's intent. 1 J.A. 23-25. The court of appeals further upheld the jury finding of trade-secret misappropriation under Texas law (*id.* at 26-31) as well as the district court's order of relief, including the award of double damages for the trade dress infringement (*id.* at 31-37). Noting the "substantial evidence of willful infringement" (*id.* at 35-36), the court of appeals concluded: "The weight of the evidence persuades us, as it did [District] Judge Singleton, that Two Pesos brazenly copied Taco Cabana's successful trade dress, and proceeded to expand in a manner that foreclosed several lucrative markets within Taco Cabana's natural zone of expansion." *Id.* at 36 n.20.

SUMMARY OF ARGUMENT

I. The court of appeals correctly affirmed the jury finding that Taco Cabana's trade dress is inherently distinctive. The jury was properly instructed that, to be inherently distinctive, Taco Cabana's trade dress as a whole had to serve as a symbol of origin, to distinguish Taco Cabana's restaurants from those of competitors, and not be descriptive or functional. The evidence amply supported the jury's finding of inherent distinctiveness: Taco Cabana's trade dress is a memorable, unusual, complex combination of structural and surface elements that convey a singular image and that no other business remotely needs to copy in order to compete. Nothing about the instruction or the evidence supports Two Pesos's allegation that protection was afforded to a broad "Mexi-

can restaurant concept" rather than an inherently distinctive trade dress.

Because inherent distinctiveness is a question for each particular trade dress, petitioner cannot attack the jury finding by asserting that trade dresses are not "usually" inherently distinctive or that restaurant trade dresses are "rarely" so—generalizations that, in any event, petitioner offers no reason whatever to consider valid as an empirical matter. Likewise, it is irrelevant (and commonplace) that various *elements* of a trade dress are either functional or descriptive. What matters is that the total combination is found distinctive, as it properly was in this case.

That finding is fully consistent with the jury's additional finding that Taco Cabana's trade dress lacked a secondary meaning in the Texas market. The absence of marketwide consumer source association, at the early stages of a product's introduction into the market, is perfectly compatible with the *inherent* distinctiveness of a trade dress—in petitioner's words, its "capacity" to develop recognition by the market. Thus, the lack of current widespread consumer recognition in the entire State of Texas in no way disproves the potential for such recognition and, hence, in no way casts doubt on the distinctiveness of Taco Cabana's trade dress.

II. The finding of inherent distinctiveness is legally sufficient to support the verdict under Section 43(a). When a defendant has used what amounts to a copy of the plaintiff's distinctive trade dress, just as if it used the plaintiff's distinctive trade name, that use constitutes a "false" communication: it says (to consumers unfamiliar with the plaintiff) that the dress (like the name) is a unique brand identifier of the defendant; it also says (to consumers familiar with the plaintiff) that the defendant is affiliated with the plaintiff. These false messages are

likely to generate confusion (once the products are offered in the same markets), regardless of whether the trade dress has yet acquired the sort of market-wide recognition needed for secondary meaning. Thus, inherent distinctiveness is sufficient for protection under the text of Section 43(a).

That conclusion is confirmed by Section 2 of the Lanham Act, where Congress expressly stated that federal protection against infringement is to be available upon proof of inherent distinctiveness. 15 U.S.C. § 1052. The same section simultaneously makes clear that secondary meaning (acquired distinctiveness) is *not* required where inherent distinctiveness is present, but is, rather, an alternative basis for protecting designations that would otherwise be unprotectable for lack of inherent distinctiveness. A reading of Section 43(a) that would require proof of inherent *and* acquired distinctiveness in any case would run afoul of these clear congressional judgments.

Congress made those judgments because protecting designations from their inception is necessary to serve the Lanham Act's dual policy of protecting businesses' interest in their present and potential reputation (embodied in their trade dresses, marks, or names) and consumers' interest in having ready brand identifiers to make brand selection more efficient. Since a new business with a distinctive trade dress (or mark or name) cannot possibly have acquired market-wide recognition for it, requiring proof of secondary meaning would leave a competitor free to appropriate the identifying designation and thereby impair the originator's market opportunities. The prospect of such copying—which is exactly what occurred here—would discourage both the development of new businesses and the creation of distinctive identifiers that help the market function, undermining the Act's central purposes.

There is no basis for treating trade dress differently from trademarks. Neither the statutory language nor

the policies of the Act make any such distinction, but apply equally to any distinctive designation of source. Nor can Section 43(a) be read as codifying an old common-law cause of action that required secondary meaning to protect a trade dress. Indeed, any reading that distinguished trade dress from trademarks would founder on the fact that there is no clear boundary between the categories: a trade dress may generally be a "trademark" eligible for protection as such. It would, in any event, defy common sense to give *less* protection to trade dress, which, as the total image of a product or service, may be a *more* powerful identifier of source to consumers, easier for competitors to avoid copying inadvertently, and more costly for the originator to alter in response to appropriation by a second user if such appropriation were legally permitted.

Finally, the 1988 amendments to the Lanham Act confirm the sufficiency of inherent distinctiveness under Section 43(a). Those amendments broadened the language of the provision to make clear that it protects any symbol, device, or combination of such against copying or other use that is likely to cause confusion. In taking that action, Congress both approved the broad judicial development of protection under the provision, including protection for trade dress, and authorized continuation of such common-law-like development consistent with the reaffirmed policies of the Act. Congress also expressly equalized the basic infringement protections available to registered and unregistered trademarks. These actions confirm that the court of appeals properly rejected any requirement that secondary meaning be proved to protect Taco Cabana's distinctive trade dress.

ARGUMENT

THE COURT OF APPEALS CORRECTLY UPHELD LIABILITY UNDER SECTION 43(A) OF THE LANHAM ACT BASED ON THE JURY'S FINDING THAT TACO CABANA'S TRADE DRESS IS INHERENTLY DISTINCTIVE.

The basic concepts at issue in this case have well-accepted meanings. "Trade dress," though not a term used by the Lanham Act, is "the general image or appearance of goods or services as offered for sale in the marketplace." *Restatement (Third) of Unfair Competition* § 16 comment a (Tent. Draft No. 2, approved May 1990) [hereafter "*Restatement*"]. "Trade dress" involves the total image of a product and may include features such as size, shape, color or color combination, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983). See Pet. Br. 6; 1 J. McCarthy, *Trademarks and Unfair Competition* § 8.1 (2d ed. 1984 & Supp. 1990) [hereafter "*McCarthy*"]; *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (7th Cir. 1986).

A trade dress, or trademark or service mark, becomes a candidate for protection if it is "distinctive," that is, if "it serves as a symbol of identification." *Restatement* § 13 comment a. That can occur in either of two ways, as the law has long recognized: it can "point distinctively, either by its own meaning or by association, to the origin or ownership of the wares to which it is applied." *Estate of P.D. Beckwith, Inc. v. Commissioner of Patents*, 252 U.S. 538, 543 (1920) (emphasis added). Distinctiveness of the first sort is "inherent distinctiveness"; distinctiveness of the second sort is "secondary meaning."

More specifically, a trade dress or mark of a business is "inherently distinctive" if, as the phrase naturally means, its inherent characteristics enable it to serve as

a distinguishing identifier of the product of that business in a competitive market: in the Lanham Act's terms, the particular brand of the product "may be distinguished" by the mark or dress from other brands. Lanham Act § 2, 15 U.S.C. § 1052. To use petitioner's words, the dress or mark must, by virtue of its intrinsic properties, be different enough from those of existing or potential competing brands that it has the "capacity" to be "identified and recognized prospectively" by the public as an identifier of the particular brand. Pet. Br. 14 (emphasis removed).¹³ It follows that a mark or dress cannot be inherently distinctive if it is "generic" or "merely descriptive"—i.e., if it names or describes the product rather than the brand (e.g., "personal computer," "shredded wheat," "raisin bran," "little tavern")—because, presumptively at least, such marks or dress must be available to competing sellers in order to communicate with consumers about what they sell. See *Blau Plumbing*, 781 F.2d at 609. By contrast, a mark or dress is inherently distinctive if it is "arbitrary," "fanciful," or "suggestive," because such a mark or dress *can* serve to differentiate a particular source without hindering competitors' ability to communicate with consumers. See *Restatement* § 13 comment c; 1 *McCarthy* §§ 11:1-11:26; 3 R. Callman, *The Law of Unfair Competition, Trademarks, and Monopolies* § 18.01, at 2 (4th ed. 1983).

"Secondary meaning" indicates that a mark or dress is distinctive as a brand identifier, not based on how intrinsically unusual it is, but based on its having "become distinctive" (to use the statutory language of § 2(f), 15 U.S.C. § 1052(f)) over time through use in the

¹³ See *Restatement* § 13(a) ("the designation is inherently distinctive [if], because of the intrinsic nature of the designation and the context in which it is used, prospective purchasers are likely to perceive it as a designation that . . . identifies goods or services produced or sponsored by a particular person"); *id.* comment d ("striking, unusual, or otherwise likely to differentiate the products of a specific producer").

market. See *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985). Such "acquired distinctiveness" of a trade dress or mark means that, "as a result of its use, prospective purchasers in fact have come to perceive it as a designation that identifies" the source or sponsorship of the product. *Restatement* § 13(b). The phrase "secondary meaning" reflects the origins of this notion in the situation where a mark, at its inception, primarily means something descriptive about the product (e.g., "little tavern") but, at a second point in time, develops in consumers' minds a new primary significance, namely, identification of the particular brand.¹⁴ Today, "secondary meaning" is used generally (if somewhat misleadingly), even when there is no initial descriptive meaning to overcome, to indicate that the dress or mark "has come through use to be uniquely associated with a specific source." *Restatement* § 13 comment e; see 3 R. Callman, *supra*, § 19.26, at 143; 1 *McCarthy* § 15:2.

In brief, "secondary meaning" refers to present widespread consumer association of the mark or trade dress with a particular brand, whereas "inherent distinctiveness" refers to the characteristic of a trade dress or mark that it is sufficiently different, intrinsically, so that it can become an identifier of the brand, whether or not consumers yet recognize it. The court of appeals held that

¹⁴ See *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 851 n.11 (1982) ("To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself."); *Restatement* § 13 comment e ("A designation that is not inherently distinctive, such as a word that describes the nature of the product on which it appears, may nevertheless become, as a result of its use by a particular person, uniquely associated with that person's goods, services, or business. Acquired distinctiveness is called 'secondary meaning.' 'Secondary meaning' does not connote a subordinate or rare meaning. Instead it refers to a subsequent significance added to the previous meaning of the term.")

the jury in this case properly found that the entire combination of elements that gives Taco Cabana its total image was inherently distinctive (and copied by Two Pesos)—not the building structure alone, or the paint scheme, or the interior arrangements, or any other feature by itself, but the whole integrated arrangement. The court also held that those jury findings were sufficient to support liability, regardless of whether the trade dress yet had secondary meaning throughout Texas. Those conclusions are both correct: Two Pesos was not free under Section 43(a), as it claims, to appropriate Taco Cabana's whole trade dress before it became known statewide, to use that trade dress to enter cities where Taco Cabana had not yet opened, and thereby to impair, delay, or foreclose Taco Cabana's potential business in those markets.

I. THE COURT OF APPEALS PROPERLY UPHELD THE JURY FINDING THAT TACO CABANA'S TRADE DRESS IS INHERENTLY DISTINCTIVE.

The jury in this case found that Taco Cabana had an inherently distinctive trade dress and that Two Pesos's trade dress was so similar as to create a likelihood of confusion with Taco Cabana. Petitioner's entire brief is an attack on the jury finding that Taco Cabana has an inherently distinctive trade dress. But because petitioner cannot point to any misstatement of law in the court of appeals' opinion, its challenge in the end does no more than ask the Court to revisit the court of appeals' judgments that the particular terms of the jury charge in this case were adequate and that the evidence was sufficient to support the finding of an inherently distinctive trade dress. There is no basis for overturning those judgments. See *Goodman v. Lukens Steel Co.*, 482 U.S. 656, 665 (1987) (rule against reviewing concurrent findings of lower courts); *United States v. Ceccolini*, 435 U.S. 268, 273 (1978) (same); *Graver Tank & Mfg. Co.*

v. Linde Air Products Co., 336 U.S. 271, 275 (1949) (same).¹⁵

To begin with, both the court of appeals and the jury instructions properly required that liability, if any, be premised on something more than Taco Cabana's "restaurant concept of an upscale, fast-food Mexican restaurant with a drive-thru and a liquor license." Pet. Br. 7. The jury instructions defining the protectable "trade dress" directed the jury's attention to how the restaurant looked, defining "trade dress" as the "total image of the business." 1 J.A. 83 (emphasis added). The court noted that the trade dress "may include" the "shape and general appearance" of the restaurant, its "sign," its "floor plan," its "decor," its "menu," its "equipment," its servers' "uniforms," and other features—insofar as they "reflect[ed]" on the total image of the restaurant." *Id.* at 83-84. The instruction on likely confusion, with its focus on the "[s]imilarity of appearance" between Two Pesos's and Taco Cabana's trade dress (*id.* at 89), reinforced this emphasis on image. The court of appeals, in reviewing

¹⁵ The question of inherent distinctiveness, being a question about the unusualness and recognizability of an overall image, is a "factual issue." *WSM, Inc. v. Hilton*, 724 F.2d 1320, 1326 (8th Cir. 1984). See 1 *McCarthy* § 11:1, at 434 n.6 (1984) and 88 (Supp. 1990) (citing cases from First, Fifth, Seventh, Eighth, and Federal Circuits); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1225 (2d Cir. 1987) ("strength of the mark"—whether it is inherently distinctive or instead descriptive or generic—is a question of fact); cf. *Inwood Lab.*, 456 U.S. at 857 n.20 (treating functionality as factual question); *Restatement (Third) of Unfair Competition* § 21 comment m and reporter's notes (Tent. Draft No. 3, tentatively approved 1991) (likelihood of confusion generally is treated, and should be treated, as a question of fact). Even aside from the "two court" rule, a jury finding may not be disturbed by an appellate court where "there is an evidentiary basis for the jury's verdict" (*Lavender v. Kurn*, 327 U.S. 645, 653 (1946)), a standard at least as deferential as the "clearly erroneous" standard of review (*Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 508 n.27 (1984)).

the verdict, likewise insisted that protection be limited to "a combination of visual elements" and the "visual impression" that the combination creates. *Id.* at 14 (internal quotes omitted).

The court of appeals thus correctly rejected the argument that Two Pesos was denied the right to use the "concept" of a fast-food Mexican restaurant. A jury is presumed to follow its instructions (*Richardson v. Marsh*, 481 U.S. 200, 206-07 (1987)), and any speculation that the jury did not so here is intrinsically implausible. This is not a difficult case on its facts: Taco Cabana plainly does have a trade dress—an elaborate, consistently maintained combination of structural and decor elements that give it a consistent "look"—as proved by the restaurant models and photographic exhibits. Other competing Mexican restaurants do not have to, and (except for Two Pesos) do not, use a similar look. See note 6, *supra*. And while there were various references to Taco Cabana's "concept" in the trial, those references were entirely understandable as either general references to the overall look or as directly concerned with Taco Cabana's trade secret claim—the claim that Taco Cabana's overall mode of operating was a trade secret protected under Texas law. See 1 J.A. 45-47 (complaint), 135-37 & 143-44 (evidence); 2 J.A. 40 (question 10). Those references therefore cannot support the speculation that the jury disobeyed its instructions and protected a mere "concept" under the Lanham Act.

The court of appeals and the jury instructions likewise properly followed the well-understood, common-sense meaning of the concept of inherent distinctiveness. The district court required that, to be found inherently distinctive, Taco Cabana's trade dress must "serve[] as a symbol of origin" and "distinguish[] its products and services from those of other restaurants" and must not be "descriptive"; it also demanded that the trade dress be "non-functional," which it explained at length as meaning

that the "design features" be "merely arbitrary," or an "arbitrary embellishment." 1 J.A. 86, 84, 85. The court of appeals, for its part, properly recognized that inherent distinctiveness means that the trade dress is "distinctive"; that it is not descriptive or functional, which the court understood to mean that competing upscale, fast-food Mexican restaurants can readily and effectively compete without appropriating it; and that it is therefore arbitrary, fanciful, or suggestive. *Id.* at 18-19 & n.8, 16-17. These standards not only reflect a proper understanding of the concept, but are simple and commonsensical enough that no further elaboration was required to ensure that the right inquiry was conducted below.

As with the basic issue whether Taco Cabana had a trade dress, the clarity and one-sidedness of the evidence on the issue of inherent distinctiveness leaves no room for speculation about the validity of the verdict in this regard. There can be no real doubt, as the court of appeals expressly agreed (1 J.A. 14-15), that Taco Cabana has an inherently distinctive trade dress. It is a complex and carefully arranged combination of visual elements—*e.g.*, the exterior structure of the buildings, the color scheme with border stripes, the umbrellas, the garage-door patio, the menu board, counter, and interior arrangements—that together create a singular, striking impression and give Taco Cabana an unmistakable, recognizable identity, one that competitors have no need to borrow in order to compete. The jury had ample evidence of the distinctiveness of the "look," including the replicas and photographs and, perhaps most strikingly, the jury's own viewing of the restaurants. The finding of inherent distinctiveness is thus fully grounded in the record.¹⁶

¹⁶ The trade dress, taken as a whole, readily qualifies as inherently distinctive under the multi-factor approach set forth in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A. 1977). See *Ambrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 979 (11th Cir. 1986); Brief Amicus Curiae of United States Trade-

Petitioner nevertheless argues that the jury's finding of inherent distinctiveness cannot coexist with its finding of no secondary meaning in the Texas market. Pet. Br. 9-10, 15-16, 18-19. But that argument reflects a misunderstanding both of the legal concepts and of the jury finding. The finding that Taco Cabana's trade dress lacked secondary meaning "in the Texas market" means simply that consumers did not yet recognize the trade dress "throughout the entire state of Texas" (10/25 Tr. 91 (Two Pesos closing argument to jury)). For a business that had just begun to open in parts of Texas outside San Antonio—in some of which, of course, Two Pesos had opened first, using a trade dress that the jury specifically found was confusingly similar to Taco Cabana's—such a lack of actual recognition is hardly surprising, as Two Pesos itself argued to the jury. *Ibid.* (see note 8, *supra*). More important, it says nothing about the "capacity" eventually to develop such recognition, based on how intrinsically unusual the trade dress is, given time in the market and protection against copying. It is that capacity which made Taco Cabana's trade dress inherently distinctive.

Petitioner cannot escape this conclusion by asserting that trade dresses are not "usually" inherently distinctive or that restaurant trade dresses fall into a special category, only "rarely" being inherently distinctive. Pet. Br. 10-13, 17-18. For one thing, petitioner offers no evidence whatever that these generalizations are valid as a

mark Ass'n (USTA) at 15. Taco Cabana's trade dress is not a common basic shape or design (it is a complex arrangement of various features); it is unusual in its field (no one else, except Two Pesos, used it); there is no evidence that it is a mere refinement of a commonly adopted form of ornamentation in this business; and there was ample evidence that it is capable of creating a commercial impression distinct from the restaurant's name (that is why Two Pesos was confused with, and TaCasita is known by customers to be affiliated with, Taco Cabana).

factual matter. To the contrary, it is self-evidently possible for a trade dress, even a restaurant trade dress, to be inherently distinctive. Indeed, both common experience and the record here show that restaurants routinely use distinctive trade dresses to develop an identity in their markets: as the court of appeals pointed out (1 J.A. 15 n.5, *see* note 11, *supra*), Two Pesos's own franchise agreement demonstrates the importance of a distinctive trade dress to restaurants. *See also* 1 J.A. 190, 192; 9/27 Tr. 84. Accordingly, whether a particular restaurant trade dress is inherently distinctive presents a case-specific factual question (*see* USTA Br. 16-17), and the validity of the particular finding of inherent distinctiveness in this case cannot be undermined by the sort of unfounded generalizations petitioner makes.

Nor can it be undermined by petitioner's remaining claims that the trade dress cannot be inherently distinctive because it "contains many functional elements" and is "descriptive and generic," in that it "calls to mind . . . that the food served is Mexican." Pet. Br. 19-21.¹⁷ As an initial matter, the argument that the trade dress is unprotected because of its "functional" elements raises the second question presented in the petition, which this Court decided not to hear. *See* Pet. i. Beyond that, these suggestions make the obvious mistake of focusing on the

¹⁷ Petitioner also argues that Taco Cabana's trade dress is not inherently distinctive because it was used by TaCasita as well as Taco Cabana. Pet. Br. 22-26. This contention, however, is outside the scope of the question presented in the petition, and no reference to the TaCasita/Taco Cabana split can be found in the petition for a writ of certiorari. It is therefore not properly before this Court. In any event, it is well-recognized that a trademark may be "franchised" without loss of protection as long as sufficient control is maintained over the related goods or services. *See* Lanham Act § 5, 15 U.S.C. § 1055; 1 *McCarthy* §§ 18:13-18:24; *Restatement* § 33 (Tent. Draft No. 3). There is no reason why the same rule should not apply to a trade dress. As noted, the jury found the requisite control in this case, and the court of appeals upheld that finding. *See* note 9, *supra*.

elements of the trade dress in isolation and refusing to consider the trade dress as a whole. What this case is about is Two Pesos's appropriation not just of the building structure, or the paint scheme, or the awnings, or the interior arrangement, or the garage doors, or any other single feature; this case involves Two Pesos's appropriation of the whole combination, and it is that combination which was held protected as inherently distinctive below, even though some of the elements by themselves may be unprotected. That approach was correct, and uniformly supported by the case law, because it is the overall image that creates the visual impression identifying a product and because complex images or designs (in trade dresses or marks) necessarily often consist of elements that are commonplace, functional, or in some way descriptive of a feature of the product they identify. *See, e.g.*, 1 J.A. 16, 20; *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1143 (3d Cir. 1986); *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1431 (7th Cir. 1985), *cert. denied*, 475 U.S. 1147 (1986); 1 *McCarthy* § 8:1, at 283.

The only proper question, in short, is whether there is sufficient evidence to support the jury's finding that, taken as a whole, Taco Cabana's trade dress is not merely descriptive of the product offered. Plainly there is such evidence. *See* 1 J.A. 14-15. Taco Cabana's complex, integrated trade dress goes well beyond any design that simply communicates the Mexican, upscale, or fast-food character of the restaurant; both the photographic exhibits and other evidence (*see* note 6, *supra*) prove that it is far from necessary for a competing restaurant to use a confusingly similar trade dress to describe its service. The jury finding of inherent distinctiveness thus may not be disturbed.

II. NO PROOF OF SECONDARY MEANING WAS REQUIRED FOR TACO CABANA TO ESTABLISH THAT TWO PESOS'S COPYING OF ITS INHERENTLY DISTINCTIVE TRADE DRESS VIOLATED SECTION 43(A).

Petitioner's brief does not challenge the court of appeals' legal holding that, if Taco Cabana's trade dress is inherently distinctive, liability under Section 43(a) was properly imposed on Two Pesos without proof of secondary meaning. To the contrary, the brief repeatedly assumes, and at least once seems explicitly to concede, that liability under Section 43(a) of the Lanham Act, even for trade dress, may rest on *either* a finding of inherent distinctiveness *or* a finding of secondary meaning. See, e.g., Pet. Br. 9 n.3, 11, 13, 17, 27.¹⁸ Petitioner's failure to take issue with the court of appeals' ruling on this point is reason enough for this Court not to reverse that ruling.¹⁹

In any event, the court of appeals' ruling that no proof of secondary meaning is required for an inherently distinctive trade dress is correct. In practical terms, the

¹⁸ "In order to establish liability on Taco Cabana's trade dress claim, it was necessary for Taco Cabana to prove (i) that its trade dress was inherently distinctive, without proof or a finding by the Jury that the trade dress lacked secondary meaning, or (ii) that the trade dress had secondary meaning, although it was not inherently distinctive." Pet. Br. 9 n.3. Petitioner does argue that the finding of no secondary meaning undermines the finding of inherent distinctiveness here—an argument that, as discussed above, is plainly wrong—but petitioner does not dispute that inherent distinctiveness, if properly found, is legally sufficient to sustain liability under Section 43(a).

¹⁹ See, e.g., *Holmes v. Securities Inv. Protection Corp.*, 60 U.S.L.W. 4225, 4230 n.22 (Mar. 24, 1992) (theory raised at oral argument "comes too late" if not in party's brief). Although one *amicus* argues the point (Brief *Amicus Curiae* of Private Label Manufacturers Association 5-17), this Court has explained that it does "not ordinarily address issues raised only by *amici*." *Kamen v. Kemper Fin. Servs., Inc.*, 111 S. Ct. 1711, 1716 n.4 (1991).

issue is whether an inherently distinctive trade dress is protected from its inception or instead is subject to copying during the time needed to acquire consumer recognition. Under the common law prior to the 1946 enactment of the Lanham Act, it was clear that a trademark received protection from its inception, as Justice Holmes explained for the Court in *Beech-Nut Packing Co. v. P. Lorillard Co.*, 273 U.S. 629, 632 (1927) (emphasis added):

A trade-mark is not only a symbol of an existing good will although it commonly is thought of only as that. Primarily it is a distinguishable token devised or picked out with the intent to appropriate it to a particular class of goods and with the hope that it will come to symbolize good will. Apart from nice and exceptional cases and within the limits of our jurisdiction *a trade-mark and a business may start together*.

In Section 2 of the 1946 Lanham Act, Congress expressly decided that federal protection should be accorded trademarks from their inception. Although the bulk of the Act, prior to 1988, was concerned with registered marks, Section 43(a) has never been so limited: its broader terms bar any misleading use of another's distinctive designation of brand identity. Our argument, based on those broad terms and supported by the trend in the case law, is that Congress's decision to furnish federal protection upon proof of inherent distinctiveness, and the policy judgment underlying that decision, carry over to demand the protection of an inherently distinctive trade dress, like a trademark, from its inception.

A. The Statute's Language Shows that Proof of Secondary Meaning Is Not Required Where Inherent Distinctiveness Is Shown.

1. Section 43(a) prohibits a business from using a "false designation of origin, or any false description or representation"; it bars use of any "words or other symbols tending falsely to describe or represent" the product

(pre-1989 text). Those words, in their ordinary meaning (see *Park 'N Fly*, 469 U.S. at 194), make copying of any inherently distinctive designation of brand identity actionable without proof of secondary meaning. If a defendant sells its product using a trademark, trade name, or trade dress, the defendant is thereby holding out the goods as distinctively identified by that mark, name, or dress: it says (to consumers unfamiliar with the plaintiff), "this can and should be recognized and remembered as uniquely designating our brand." That claim is false if the designation used by the defendant is actually a copy of an inherently distinctive mark, name, or dress of the plaintiff: the defendant's designation does *not* uniquely identify the defendant. At the same time, the defendant's use of the plaintiff's distinctive mark, name, or dress also says (to consumers familiar with the plaintiff) that the defendant's goods are affiliated with the plaintiff's. That too is false if there is no such affiliation. In both respects, the defendant has made a false communication barred by Section 43(a).²⁰

²⁰ Because of the broad language covering any communication that makes or tends to make a false description or representation, it is immaterial whether the particular "designation of origin" language might be read to refer only to geographical origin. Compare *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 700 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982), with *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981), *cert. denied*, 455 U.S. 909 (1982). In fact, since the 1960s, uniform and frequent judicial interpretation has decisively rejected any reading of Section 43(a) that would treat its broad terms as limited to claims of false assertions about geographical origin, on the one hand, and narrow false advertising claims, on the other. Because a message about brand identity is a "false description or representation," interpretation of Section 43(a) as broadly addressing the whole area of "infringement of an unregistered mark, name or trade dress" has become "a firmly embedded reality," uniformly accepted by the lower courts (and hence relied on by businesses). 2 *McCarthy* § 27:3, at 345, 345-46 & nn.4-6 (citing cases). See *Inwood Lab.*, 456 U.S. at 863 (White, J., concurring in the result).

This falsity is most starkly obvious where a defendant has willfully used the plaintiff's distinctive trade name—e.g., if Two Pesos had willfully called itself "Taco Cabana." In that situation, it is plain that the defendant has falsely asserted a distinctive trade name and an affiliation with the plaintiff. But the same falsity occurs whether the use is willful or innocent, and whether the plaintiff uses a distinctive trade dress, mark, or name. Thus, the issue of falsity is independent of willfulness, the latter not being an element under Section 43(a); the same meaning is present, and hence the same falsity, regardless of the defendant's intent.²¹ The same falsity likewise exists when the defendant uses a trademark or a trade dress, as long as it, like the trade name, is inherently distinctive of the plaintiff. Thus, when Two Pesos used Taco Cabana's inherently distinctive trade dress, it violated Section 43(a) exactly as much as if it had called itself "Taco Cabana."

The requirement of falsity under Section 43(a) readily explains why proof of secondary meaning is necessary only when a trade dress (or mark or name) is *not* inherently distinctive. If such a mark, dress, or name is "merely descriptive" of the product (Lanham Act § 2(e), 15 U.S.C. § 1052(e)), then its meaning, at that moment, is not as a designation of a particular brand. During the time that the descriptive meaning prevails, use of the dress (or mark or name) by *any* brand does not falsely indicate either unique brand identification or affiliation with a particular source. But if and when the dress (or mark or name) acquires secondary meaning—if and when its primary meaning comes to be as a signifier of a particular brand—then its use by another brand becomes

²¹ See 2 *McCarthy* § 27:7, at 365. A requirement of willfulness and intent to deceive was in the predecessor of Section 43(a)—Section 3 of the 1920 Trademark Act, Pub. L. No. 66-163, 41 Stat. 534—but it was omitted from Section 43(a) of the 1946 Lanham Act.

false. Section 43(a)'s requirement of falsity thus naturally differentiates the inherently distinctive trade dress (or mark or name) from one that is not inherently distinctive, requiring secondary meaning only for the latter.

While inherent distinctiveness is accordingly enough to show falsity, liability under Section 43(a) also requires proof of likely consumer confusion.²² By demonstrating that consumers would likely be confused if they encountered both products (though they have not yet done so), the plaintiff can show that the defendant's conduct "tend[s]" to give a false description or representation and, also, that there is both actual and likely harm—in the language of Section 43(a), that the plaintiff "is or is likely to be damaged" by the falsity. Most simply, such likelihood of confusion can lead directly to the impairment, delay, or foreclosure of business expansion in areas where the defendant has already sought to preempt the identifying trade dress (or mark or name)—precisely what Two Pesos set out to do, and did, in this case. See pages 3-4, 10-11, *supra* (Two Pesos scheme to enter Houston market before Taco Cabana, and damage from foreclosed business). In short, inherent distinctiveness plus likely confusion satisfies the terms of Section 43(a).

The Second Circuit, in explaining its contrary view that proof of secondary meaning is required even where inherent distinctiveness is shown, made at least two fundamental textual mistakes. See *Vibrant Sales*, 652 F.2d at 303-04. First, it relied on the absence of "likely to cause

²² It does not require proof of actual confusion, a point not disputed here. The plaintiff may nevertheless choose to prove actual confusion in order to demonstrate a particular type of damage suffered as a result of the copying—namely, that consumers who did recognize its trade dress were in fact confused about the defendant's affiliation and as a result did not make purchases from the plaintiff that they otherwise would have made (either because they liked or because they disliked the defendant's product). See *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 338 (7th Cir. 1985).

confusion" language in Section 43(a) (652 F.2d at 304); but the suggestion that Section 43(a) therefore requires actual confusion, based on widespread consumer recognition of the plaintiff, is wrong: as we have explained, a likelihood of confusion satisfies the standards of Section 43(a). Second, the Second Circuit suggested that there can be no "false" representation unless the public as a whole recognizes the defendant's dress (or mark or name) as really the plaintiff's (652 F.2d at 303); but that view confuses two distinct points: whether a representation is false, and whether a particular audience as a whole understands the representation. A false statement made in French would be false even if none (or only a few) of the particular listeners understood French; Two Pesos's calling itself "Taco Cabana" would be false even if none (or only a few) of Two Pesos's consumers were yet familiar with Taco Cabana. Similarly, when a defendant holds out its product with a dress (or mark) that is distinctive of the plaintiff's product, the falsity of the communication made by that act in no way depends on whether the plaintiff's brand is yet widely enough recognized in the market as a whole to establish secondary meaning.²³

2. Reading the language of Section 43(a) to furnish protection upon proof of inherent distinctiveness is directly supported by the Lanham Act as a whole. Most of the Act is concerned with the process of registering trademarks and the legal protections afforded by registration, but the Act is plainly not limited to protecting registered marks, as the language of Section 43(a) as well as the express policy declaration of Section 45 both make clear.²⁴

²³ As noted at page 47, *infra*, both of the textual bases for the Second Circuit's view have been eliminated by the 1988 amendments to Section 43(a), which now (a) expressly includes "likely to cause confusion" language and (b) makes it textually unnecessary to establish "falsity" to recover.

²⁴ Among the Act's purposes, Section 45 declares that it is Congress's intent to make "actionable the deceptive and misleading use of marks" in commerce and "to protect persons engaged in such

In this statutory context, Section 43(a) is properly construed, consistent with its natural meaning, to reflect the basic congressional judgment about federal protection expressed elsewhere in the Act—namely, that protection against infringement must be available upon proof of inherent distinctiveness.

This fundamental congressional judgment, following the pre-1946 common law on trademarks (*see Beech-Nut*, quoted *supra*), is expressly embodied in Section 2 of the Lanham Act. Congress there stated that marks are eligible for registration on a showing of inherent distinctiveness. 15 U.S.C. § 1052 (any mark by which goods “may be distinguished” from others is registrable, unless, as pertinent here, it is “merely descriptive,” § 2(e)). At the same time, Congress made clear in Section 2 that proof of secondary meaning is not an *additional* requirement that inherently distinctive marks must meet. Instead, Congress provided that, by showing secondary meaning, protection could be obtained for some marks that otherwise would not qualify for protection: that is, secondary meaning is required only for marks that are not inherently distinctive (because they are “merely descriptive”). §§ 2(e) & (f), 15 U.S.C. § 1052(e) & (f) (such mark is registrable if it “has become distinctive”). Inherent and acquired distinctiveness are *alternative* bases for protection.

This simple and clear congressional pronouncement that federal protection is available upon proof of inherent distinctiveness, without need for an additional showing of secondary meaning, shows that Congress has made the basic determination that originators of distinctive marks should be protected from their inception, and not be open to appropriation while they establish their identity in the

commerce against unfair competition.” Those purposes are not restricted to registered marks, while other portions of the same statement of purpose are specifically restricted to the protection of registered marks. *See* 15 U.S.C. § 1127.

market. That policy choice properly extends to Section 43(a), directly supporting the court of appeals’ view that inherent distinctiveness is enough for protection of an unregistered mark (or dress or name). Indeed, if Section 43(a) were read to impose a requirement of secondary meaning, there would be *no* federal protection for unregistered, new, inherently distinctive marks. Such a result would run afoul of the congressional determinations embodied in the Act.

This view of Section 43(a) recognizes its proper place within the structure of the 1946 Act: basic protection against infringement is available for unregistered marks (or dress or names) upon proof of inherent distinctiveness (and the other elements of liability); and various *additional* protections are afforded marks that have been registered. Notably, registration gives *prima facie* validity to the registrant’s exclusive right to use the mark (§§ 7, 33, 15 U.S.C. §§ 1057, 1115), shifting the basic burden of proof on the validity of the mark to the defendant in an infringement action. *See* 2 *McCarthy* § 32:43. Registration also gives constructive nationwide notice of the mark (§ 22, 15 U.S.C. § 1072), eliminating a second user’s defense of innocent adoption of a similar mark, a defense that would broadly protect the second user’s right to use the mark at least in a territory distant from the first user’s business. *See Park ’N Fly*, 469 U.S. at 199-200.²⁵ Registration further allows a trademark, after a time, to become “incontestable”—*conclusively* valid, subject to only limited defenses. §§ 15, 33(b), 15 U.S.C.

²⁵ *See United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100-01 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 418-19 (1916) (“TEA ROSE” case); *Pike v. Ruby Foo’s Den, Inc.*, 232 F.2d 683, 685-86 (D.C. Cir. 1956); 2 *McCarthy* § 26:1, at 287, § 26:18, at 331. Of course, this rule was unavailable to Two Pesos, which deliberately copied Taco Cabana’s trade dress and, indeed, did so in a nearby market within Taco Cabana’s area of natural expansion (1 J.A. 36 n.20).

§§ 1065, 1115(b); *Park 'N Fly*, 469 U.S. at 194-96. See also 1 *McCarthy* § 19:5. Giving Section 43(a) its natural reading of protecting inherently distinctive unregistered marks thus not only gives effect to Congress's judgment that inherently distinctive marks are to be federally protected, but does so without eliminating the statutory differences in treatment for registered marks, and thus fully accords with "the design of the statute as a whole." *Gozlon-Peretz v. United States*, 111 S. Ct. 840, 848 (1991) (internal quotes omitted).

B. Requiring Proof of Secondary Meaning Where Inherent Distinctiveness Has Been Shown Would Undermine the Policies of the Lanham Act.

The essential dispute over the secondary-meaning issue is whether protection of a distinctive identifier of a business's product is available immediately upon its creation, or whether protection is unavailable (and hence copying is allowed) during the time required for the consuming public to get to know the brand and recognize the trade dress identifying it. The policies of the Lanham Act give the same clear answer to that question as does the statute's language: protection of a distinctive trade dress must be available from its inception.

1. Although there is no pertinent specific legislative history stating the intent behind Section 43(a),²⁶ the broad policies of the Lanham Act have long been clear.

²⁶ Section 43(a) was a "little-noticed section" in the Act at the time of its passage, virtually unmentioned in the key reports and hearings. USTA Trademark Review Comm'n, *Report and Recommendations on the United States Trademark System and the Lanham Act*, 77 Trademark Rptr. 375, 376 (1987). See, e.g., H.R. Rep. No. 944, 76th Cong., 1st Sess. (1939); *Hearings on H.R. 102 et al., before the Subcomm. on Trade-marks of the House Committee on Patents*, 77th Cong., 1st Sess. 146, 242 (1941); *Hearings on H.R. 82 before the House Committee on Patents*, 78th Cong., 1st Sess. (1943); H.R. Rep. No. 219, 79th Cong., 1st Sess. (1945); S. Rep. No. 1333, 79th Cong., 2d Sess. (1946); H.R. Conf. Rep. No. 2322, 79th Cong., 2d Sess. (1946).

The Act expressly declares its intent to make "actionable the deceptive and misleading use of marks" in commerce and "to protect persons engaged in such commerce against unfair competition." § 45, 15 U.S.C. § 1127. And as this Court's opinions have made clear, the dual aim of the Act is to protect both businesses, whose commercial investments depend on securing present and potential good will, and consumers, who need information to make shopping (brand selection) efficient; the Act serves these goals by protecting distinctive designations of brands while allowing full play to competing but clearly differentiated brands of the same product or service.

Thus, the Court in *Inwood Lab.* explained "both goals of the Lanham Act. By applying a trademark to goods produced by one other than the trademark's owner, the infringer deprives the owner of the goodwill which he spent energy, time, and money to obtain. At the same time, the infringer deprives consumers of their ability to distinguish among the goods of competing manufacturers." 456 U.S. at 854 n.14 (citations to legislative history omitted). In *Park 'N Fly*, the Court reiterated that the Lanham Act is designed "to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." 469 U.S. at 198 (citations to legislative history omitted). These dual functions—protecting businesses' good will, and providing useful information to consumers—are reflected throughout the Lanham Act's legislative history²⁷ and have been widely recognized.²⁸

²⁷ See S. Rep. No. 1333, *supra*, at 3-5; H.R. Rep. No. 219, *supra*, at 2-3; H.R. Rep. No. 944, *supra*, at 2-4.

²⁸ See, e.g., *Blau Plumbing*, 781 F.2d at 609 ("The goal of trademark protection is to allow a firm to affix an identifying mark to

Protecting an inherently distinctive trade dress from its inception—like protecting an inherently distinctive trademark from its inception, as the pre-1946 common law did, *see Beech-Nut* (quoted *supra*)—is essential to preserve these goals. Without such protection, a business that is contemplating entry into a market with a new brand carrying a distinctive designation would lack the security of knowing that the reputation it will try to develop will be protected from the day it attracts its first customer. New entrants would be discouraged, based on the realistic fear that early gains might be stalled, or wiped out, by a competitor's appropriation of the new designation before marketwide recognition was achieved. Allowing such appropriation would also both directly and indirectly reduce the information (the supply of distinctive brand designations) available to consumers: when appropriation is permitted, the designation's distinctiveness is destroyed, and the appropriator is, at a minimum, freed from the need to create its own new designation; and the prospect of appropriation deters the creation of new designations (and entry into the market) in the first place. Withholding protection until secondary meaning is achieved would thus reduce market efficiency and impair the goals of the Lanham Act.

its product (or service) offering that will, because it is distinctive and no competitor may use a confusingly similar designation, enable the consumer to discover in the least possible amount of time and with the least possible amount of head-scratching whether a particular brand is that firm's brand or a competitor's brand."); *W.T. Rogers*, 778 F.2d at 338; *Scandia Down Corp.*, 772 F.2d at 1429-30 ("Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market. A trademark also may induce the supplier of goods to make higher quality products and to adhere to a consistent level of quality."); 1 *McCarthy* § 2:1.

The effect on small start-up companies like Taco Cabana would be particularly severe. Such a business characteristically has to launch its product on a small scale, expanding its market slowly. A secondary meaning requirement would mean that, during that period (when marketwide consumer recognition has not yet been achieved), no protection would be available to a distinctive brand designation (trade dress, mark, or name). A larger and richer business, seizing on a good idea, might well decide to enter the market. And that company, like Two Pesos, would often find it advantageous to appropriate the trade dress (or mark or name) of the original small business, in an attempt to foreclose or severely diminish the possibilities of continuing or expanded competition from the original business. Indeed, with sufficient advertising and other resources, the larger company might even acquire consumer recognition for the trade dress (or mark or name) as *its* brand designation—which might force the originator of the trade dress (or mark or name) to abandon it to avoid confusion and might, conceivably, even lead the appropriator to sue the originator to force such abandonment. These inevitable consequences of imposing a secondary meaning requirement would directly defeat the Lanham Act's goals.

2. Despite the clear harms to the Act's policies from imposing a requirement of secondary meaning, *amicus* Private Label Manufacturers Association (PLMA) argues that allowing protection of trade dress from its inception would inhibit competition. PLMA Br. 11-16. But this argument, which rests on the false premise that "all combinations of color and design, when introduced into the market, are protectable" under the natural reading of Section 43(a) (*id.* at 12-13), simply ignores the substantial protections for competition that are built into Section 43(a). Liability requires that the trade dress create a distinctive visual impression strong enough to become a brand designation to consumers in a competitive

market; it requires that the trade dress be non-functional, a concept that explicitly focuses on the needs of competitors; and it requires that the defendant's trade dress be so similar that consumer confusion becomes likely. There is no threat to fair competition where those requirements are met, because the "diversity of suggestive and arbitrary trade dress . . . is limited only by human imagination." USTA Br. 13; *see W.T. Rogers*, 778 F.2d at 339 ("Since the supply of distinctive names and symbols usable for brand identification is very large, indeed for all practical purposes infinite, competition is not impaired by giving each manufacturer a perpetual 'monopoly' of his identifying mark; such marks are not a scarce input into the production of goods.")

In this regard, the non-functionality element of Section 43(a) plays a vital role in ensuring that competition (as well as the scheme of the patent laws) is not improperly impaired. That requirement has been carefully developed by the lower courts to ensure precisely such limits on trade dress protection, so that the proper communicative aspects of a product's "look" are protected, but not "functional" aspects of the product itself. *See, e.g., Stormy Cline, Ltd. v. Progroup, Inc.*, 809 F.2d 971 (2d Cir. 1987); *Prufrock, Ltd. v. Lasater*, 781 F.2d 129 (8th Cir. 1986); *W.T. Rogers, supra*; *Restatement* § 17. The requirement was carefully (and correctly) applied in this case, both by the district court in its jury instructions and by the court of appeals. *See* pages 8-9 & note 12, *supra*. And it is that requirement, which is not at issue in this Court, that directly addresses the issues that have been of concern to this Court in cases, like *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), involving the scope of federal patent protection and its relation to state-law protections of designs. As long as the functionality standard is correctly applied, and the inherent distinctiveness standard is met, as both were here, the right to compete is amply protected.

PLMA also suggests that secondary meaning should be required under Section 43(a) as a substitute for notice to potential infringers, such as registration of a trademark provides. PLMA Br. 15. But even aside from the fact that Two Pesos *did* have notice here, and aside from the absence of any notice requirement in Section 43(a), this policy argument has no merit. For one thing, it is dubious whether secondary meaning would, in many cases, provide any better notice to a potential infringer than inherent distinctiveness. Given the difficulties of proving secondary meaning (*see* 1 J.A. 18 n.7), the presence or absence of secondary meaning for trade dresses (or marks or names) will often be uncertain. On the other hand, inherent distinctiveness is often a matter of elementary, common-sense judgment, so that a potential market participant need only examine the existing brands with which it will compete in order to determine what trade dresses to avoid.

In any event, the absence of formal notice has not proved a practical problem for unregistered trademarks, which even before the Lanham Act were protected under common law if inherently distinctive, and are almost everywhere so protected today. *See Beech-Nut, supra*; 1 *McCarthy* §§ 11:1, 11:2, 11:20. Nor has there been any apparent problem of innocent adoption of others' trade dress. Moreover, no real problem of innocent adoption of distinctive trade dresses should be anticipated. The realm of potential trade dresses, no less than the realm of potential trademarks, is so great that, in the absence of deliberate copying, a genuine infringement (much less one that requires costly modifications to eliminate) should prove extremely rare: for example, an accidental duplication of a trade dress as complex as Taco Cabana's would be freakishly improbable. (Also, judicial relief under the Lanham Act generally takes account of the equities in any case. *See, e.g., 2 McCarthy* §§ 30:1, 30:24.) In short, concerns about "notice" to competitors are no

more sufficient to justify allowing appropriation of distinctive, new trade dresses than of distinctive, new trademarks.

C. There Is No Sound Basis for Treating Trade Dresses Differently from Trademarks Under Section 43(a).

Much of petitioner's and the PLMA's argument rests on the explicit or implicit assertion that trade dresses should have less protection under Section 43(a) than trademarks. But the language of Section 43(a) makes no distinctions among the various means by which a business identifies itself, protecting all alike; and the policies of the Act apply equally to demand protection of trade dresses, as of trademarks, from their inception. PLMA therefore resorts to reliance on certain historical differences in common-law treatment. PLMA Br. 5-9. Those differences, however, cannot support reading into Section 43(a) a requirement of secondary meaning that, as already shown, is contrary to its text and policies. To the contrary, any such distinction would be impossible to maintain given the definitions and policies of the Lanham Act.²⁹

1. PLMA's argument depends on reading Section 43(a) as freezing into place a pre-1946 common-law cause of action requiring secondary meaning. That view of Section 43(a) is insupportable. The common law prior to

²⁹ Even the Second Circuit has not treated trade dresses differently from trademarks under Section 43(a). See *Vibrant Sales*, 652 F.2d at 303-04.

It is also worth noting that PLMA has only recently taken a different view of the law from the one it now urges. It told a congressional committee in 1990: "Trademark law protects those non-functional aspects of goods and products which are *either* truly distinctive *or* which identify the source or origin of the product." *Industrial Design Protection: Hearings on H.R. 902 et al. before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 533 (1990) (emphasis added).

1946 recognized two different but related causes of action—one for "technical" trademark infringement; the other for "unfair competition" (though the latter phrase was itself often used to embrace all such competitive torts). The former category, often *defined* by reference to the inherent distinctiveness of the symbols involved, did not require any proof of secondary meaning (as *Beech-Nut* illustrates, quoted above). The latter category *usually* did require proof of secondary meaning, and it was this cause of action by which trade dresses and other "non-technical" trademarks, were traditionally protected. See 1 *McCarthy* §§ 4:3, 8:1-8:2, 11:1-11:2; *Restatement* § 16 comment a & reporters' note; *Estate of P.D. Beckwith*, 252 U.S. at 543; *Restatement of Torts* §§ 715, 717, 741 (1938); J. Shaw, *Trade Marks and Unfair Competition* 5-9 (1952). But there is, quite simply, no sound basis for reading Section 43(a) as precisely codifying the pre-1946 common-law claim of "unfair competition."³⁰

To begin with, there is no evidence that Congress intended such a reading, which, as we have shown, would run counter to the language of Section 43(a), the specific congressional judgment embodied in Section 2, and the policies of the Act. Beyond that, however, the proposed "codification" reading makes no sense. The statute refers to neither of the pre-1946 common-law categories by name and certainly makes no distinction between them (so any "codification" would necessarily apply to trademarks as well as trade dresses). And quite simply, it would be entirely arbitrary to read the provision as adopting only the "unfair competition" cause of action, and ig-

³⁰ Although PLMA's brief cites many cases and authorities, most of the citations do no more than *define* "secondary meaning" (Br. 5 n.5), and not a single cited decision of this Court required secondary meaning where inherent distinctiveness was shown. Notably, the quote from *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938), excerpted at page 9 of PLMA's brief, if read in the original without alteration, concerns only *descriptive* marks.

noring the "trademark infringement" cause of action, or codifying any "arcane distinctions" between them. *Taylor v. United States*, 110 S. Ct. 2143, 2155 (1990). That is particularly so because the boundaries between these categories were hardly drawn with clarity and precision. See 1 *McCarthy* § 4:3. Indeed, the "unfair competition" cause of action itself seems to have been available *without* proof of secondary meaning where deliberate copying was involved, as it was here. See 1 *McCarthy* § 8:2, at 286 & n.17.³¹

Finally, even if Section 43(a) were read as "codifying" a pre-1946 common-law category, it would necessarily bring along the capacity for evolution inherent in the common law itself. Especially given the fluidity of the particular common-law causes of action at issue here, nothing in Section 43(a)—which adopts no common-law terms with a fixed, well-accepted meaning—could preclude the natural process of judicial interpretation to break down artificial distinctions and to bring the law's application into line with the fundamental policies it embodies. Thus, the pre-1946 elements of a particular common-law category cannot foreclose ordinary statutory analysis of text, structure, and purposes, which leads, as shown here, to equal treatment of trade dresses and trademarks, protecting each upon proof of inherent distinctiveness.³²

³¹ This seems still to be true under New York law. See *Harlequin Enters. Ltd. v. Gulf & Western Corp.*, 644 F.2d 946, 949 (2d Cir. 1981); *Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 618 F.2d 950, 954 (2d Cir. 1980); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 544 & n.5 (2d Cir. 1956); *American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F.2d 560, 562-63 (2d Cir. 1953); *My-T Fine Corp. v. Samuels*, 69 F.2d 76, 77 (2d Cir. 1934).

³² This Court stated in *Bonito Boats*, 489 U.S. at 157-58, that "the common-law tort of unfair competition" has required secondary meaning in cases involving "nonfunctional aspects of consumer products." That observation may have meant to refer only to the traditional common-law cause of action for unfair competition (thus excluding traditional trademark law as well as more recent devel-

2. An effort to maintain a distinction between "trade dress" and "trademark" would in any event be impossible. There is simply no workable line between the two categories. On the one hand, the Lanham Act nowhere uses (or therefore defines) the phrase "trade dress." On the other, it does define "trademark," but the broad definition readily encompasses a trade dress like Taco Cabana's. Thus, "any word, name, symbol, or device or any combination thereof" used "to identify and distinguish" goods or "to indicate the source of the goods" can be a trademark. § 45, 15 U.S.C. § 1127. Certainly the combination of building shapes, stripes, awnings, etc., that make up Taco Cabana's "total image" consists, at a minimum, of a "combination" of "devices" used to "identify and distinguish" Taco Cabana. It is therefore widely recognized, by the Second Circuit among other courts, that trade dresses can be registered as trademarks, thus precluding any different legal treatment under Section 43(a). See, e.g., *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir. 1987); *Stormy Clime*, 809 F.2d at 974; *Blau Plumbing*, 781 F.2d at 608.

Because of the breadth of the definition of "trademark," it is not possible to base a less protective rule for trade dresses on any notion that trademarks are more discrete, smaller, or somehow more manageable. And there could

opments under Section 43(a)). Whatever its scope, however, it "must be read in the context in which it was made." *Air Courier Conf. v. American Postal Workers Union*, 111 S. Ct. 913, 920 (1991). *Bonito Boats* involved a Florida law that ignored the needs of competitors entirely, protecting a product design irrespective of concerns about consumer confusion; and it was those features that contrasted so sharply with the general standards of protection under state law of unfair competition, rendering the Florida law preempted under the federal patent laws. 489 U.S. at 158. Notably, the Court specifically observed that Section 43(a) does embody concerns about consumer confusion. 489 U.S. at 166. As we have shown, that clear focus on consumer confusion under Section 43(a) carries no requirement of secondary meaning.

be no policy justification for doing so in any event: both trade dresses and trademarks can serve the central Lanham Act function of identifying a brand, thereby assisting consumers and protecting business good will. Indeed, giving trade dress less protection than trademarks would in many cases turn the basic policies of the Lanham Act on their head. The "total image" of a product—its trade dress—may be more recognizable, a more powerful identifier of the product, than a more discrete symbol affixed to the product. See USTA Br. 13 ("Indeed, with respect to a chain of restaurants, a visibly unique and consistently presented trade dress might operate even more efficiently than a word mark in identifying and distinguishing one source of food services from another, and in reducing consumer search costs."). At the same time, the more complex the image, the less likely that a competitor would need to duplicate it, as a whole, in order to compete. And a complex combination of features would likely be more costly for its originator to alter if forced to do so by another's appropriation.

For all of these reasons, ever since the Fifth Circuit's *Chevron* decision "brought trade dress law into the mainstream of trademark law" (1 *McCarthy* § 8:2, at 287), it has been the trend in the case law to allow protection of trade dresses on the same terms as unregistered trademarks—on proof of *either* inherent distinctiveness or secondary meaning. See *Restatement* § 16 comment b and reporters' note (citing cases); 1 *McCarthy* § 8:2 (1984 & Supp. 1990). That position is now also the explicitly adopted view of the American Law Institute. *Restatement* § 16 and comment b. It is likewise the view espoused by the United States Trademark Association, the principal professional organization addressing trademark issues, which has participated intimately in legislative efforts (including the 1988 revision of the Lanham Act), and whose members appear regularly on both sides of trademark litigation. USTA Br. 2-3, 10-18. All of these

developments are telling indications of the textual, practical, and policy problems with any attempted distinction between trade dress and trademark protection under Section 43(a).

D. The 1988 Amendments to the Lanham Act Confirm that Section 43(a) Does Not Require Proof of Secondary Meaning for an Inherently Distinctive Trade Dress.

Based on a report prepared by the USTA, Congress comprehensively reviewed and revised the Lanham Act in 1988. Those revisions, and their legislative history, do not in terms address the specific question whether secondary meaning is required under Section 43(a). But they do confirm every piece of the foregoing analysis, indicating that there is no such requirement.³³

First, Congress broadened the language of Section 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." New § 43(a), 15 U.S.C. § 1125(a). That language makes clear that a confusingly similar trade dress is actionable under Section 43(a), without necessary reference to "falsity," and undermines any effort, like the Second Circuit's, to base a secondary-meaning requirement on a cramped reading of the "falsity" language of the provision (or on the absence of "likely to cause confusion" language, which is now present).

³³ "Of course, the view of a later Congress does not establish definitively the meaning of an earlier enactment, but it does have persuasive value." *Gozlon-Peretz v. United States*, 111 S. Ct. at 847 (quoting *Bell v. New Jersey*, 461 U.S. 773, 784 (1983)). See also *Seatrains Shipbuilding Corp. v. Shell Oil Co.*, 444 U.S. 572, 596 (1980); *Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367, 380-81 (1969).

Second, the expressed reason for the change, as the legislative history establishes, was not to suggest any narrow reading of the pre-1989 language by comparison. On the contrary, it was to confirm and approve the extensive judicial development under the provision, including its application to trade dress, and to conform the text to the explicit "likely to cause confusion" standard that the lower courts had come to apply.³⁴ That ratification of the breadth and flexibility of Section 43(a) forecloses any attempt to freeze the provision into a pre-1946 mold.

Third, the legislative history of the 1988 amendments strongly reaffirms Congress's dual business- and consumer-protection goals in the Lanham Act.³⁵ The legislative history also expresses particular concerns (outside the Section 43(a) context) about ensuring trademark protection for "small companies and individuals," about "unnecessary legal uncertainty for a U.S. business planning to introduce products or services into the marketplace," and about the "sizable investment in packaging, advertis-

³⁴ See S. Rep. No. 515, 100th Cong., 2d Sess. 40 (1988) (revision of Section 43(a) is designed "to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section. . . . [Section 43(a)] has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims."); 134 Cong. Rec. S5869 (daily ed. May 13, 1988) (statement by sponsor, Sen. DeConcini). See also *USTA Report and Recommendations*, 77 Trademark Rptr. at 426-27.

³⁵ See S. Rep. No. 515, *supra*, at 4 ("Trademark protection is important to both consumers and producers. Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protect[] trademark owners. When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters.").

ing and marketing" that introduction of a product may entail. S. Rep. No. 515, *supra*, at 5. These concerns reconfirm that basic trade dress protection should be available from the time an owner begins "bringing a product to the marketplace." *Id.* at 4; see also *USTA Report and Recommendations*, 77 Trademark Rptr. at 387.

Finally, Congress explicitly extended to any violation of Section 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks. See new §§ 32, 34-36, 15 U.S.C. §§ 1114, 1116-1118. The expressed aim of the amendments was to equalize the fundamental protections for registered and unregistered marks. See S. Rep. No. 515, *supra*, at 40. These steps confirm that Section 43(a) is properly read to provide protection in accord with the standards for registration in Section 2. All of these aspects of the 1988 legislation thus underscore the conclusion that an inherently distinctive trade dress may be protected under Section 43(a) without proof of secondary meaning.³⁶

³⁶ In light of the passage of the 1988 amendments (and petitioner's failure to argue the principal legal issue here), the Court may wish to dismiss the writ as improvidently granted. This case involves Section 43(a) as it read prior to 1989. But Congress has now substantially amended not only that provision but the Lanham Act as a whole, confirming the analysis that demonstrates the sufficiency of a showing of inherent distinctiveness under Section 43(a) and answering the only arguments even suggested (by the Second Circuit and PLMA) in support of a contrary reading of the pre-1989 version of Section 43(a). The 1988 amendments thus make any interpretation of the pre-1989 provision at issue here largely moot.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

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STATUTORY APPENDIX

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982), prior to its being rewritten in 1988, provided:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Section 43(a) of the Lanham Act was rewritten by Section 132 of the Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3946, to read as follows:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship,

or approval of his or her goods, services, or commercial activities by another person, or

(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.